20 August 2020

Growthpoint Properties Australia delivers solid full year results

Growthpoint Properties Australia (Growthpoint or the Group) today announces its results for the twelve months ended 30 June 2020 (FY20).

FY20 financial and capital management overview:

- Funds from operation (FFO) per security of 25.6 cps, 2.0% up on prior corresponding period (pcp)
- FY20 distribution of 21.8 cents per security (cps), 5.2% lower than pcp to retain a higher level of capital within the Group as a prudent measure due to the uncertainty caused by the COVID-19 pandemic
- Net tangible assets (NTA) per security of $3.65, 4.3% higher than pcp, driven by property valuation uplift in the first half of FY20
- Refinanced $400 million of debt, lowering the Group's weighted average interest rate to 3.4% and extending its weighted average debt maturity to 4.7 years
- Gearing reduced by 210 bps to 32.2% from 30 June 2019, well below the Group's target range, 35% – 45%
- Statutory profit after tax decreased to $272.1 million (FY19: $375.3 million) primarily due to a lower net gain in fair value of investments

FY20 operations overview:

- Net property income (NPI)[1] up 5.1% to $242.1 million and like-for-like NPI up 2.2% on pcp
- Strong property valuation gain in first half of the year and no material change in the second half; portfolio valued at $4.2 billion, up 5.0% on pcp
- Weighted average capitalisation rate of 5.7%, down 22 basis points on pcp
- Weighted average lease expiry (WALE) of 6.2 years (30 June 2019: 5.0 years)
- Achieved practical completion on an A-grade office development (Botanicca 3) in Richmond, Victoria and expansion of a distribution centre, leased by Woolworths, in Gepps Cross, South Australia
- Portfolio occupancy decreased to 93% (30 June 2019: 98%), as Botanicca 3 was vacant on completion. Excluding Botanicca 3, portfolio occupancy was 97%
- Signed 25-year lease with the Group's largest single tenant, the NSW Police Force
- High tenant retention rate of 85% (FY19: 66%)
- Average NABERS Energy rating of 4.9 stars (30 June 2019: 4.8 stars)

COVID-19 response:

- Implemented response to COVID-19 pandemic, prioritising safety of employees, tenants and broader community
- Provided assistance to severely impacted tenants, granting $0.8 million of rental abatements and deferring $2.0 million of rental payments
- Rent collection has remained strong with 97% of April 2020 to June 2020 total billings collected[2]

Timothy Collyer, Managing Director of Growthpoint, said,

"When we look back on FY20, it is difficult to look beyond the last four months of the financial year, when we, like individuals and organisations around the world, were forced to face a dramatically different operating environment dictated by the COVID-19 pandemic. As a result of this uncertainty, we withdrew all forward-looking statements, including our guidance, in March.

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[1] Net property income plus distributions from equity related investments.
[2] Rent abatements are not included in total billings. Rent that has been deferred is included. Data as at 11 August 2020.

Our business entered this period on a strong footing and has demonstrated its resilience throughout this challenging period. To date, our earnings have not been materially impacted by the COVID-19 pandemic. In FY20, the Group delivered FFO of 25.6 cps, which was pleasingly ahead of our withdrawn guidance.[3] This reflects our disciplined approach to portfolio construction over a number of years. We have invested in modern, high-quality office and industrial properties. We have also carefully selected our tenants, favouring large companies and government.

We have a robust balance sheet, with gearing well below our target range and no debt maturing until FY22. To enhance our liquidity, we entered a new $100 million debt facility with a new banking partner in May. The Group now has undrawn debt lines of $360 million and $43 million of cash on its balance sheet.

During FY20, the Group made good progress towards achieving our strategic objectives. We completed two development projects, both ahead of time and on budget. In February, we reached practical completion on a new A-grade office building, Botanicca 3. We are proud of this development and believe it is one of the highest-quality metropolitan offices in Australia. In June, the expansion of our distribution centre in Gepps Cross, South Australia, was completed and Woolworths has now commenced a 15-year lease extension of the property.

We continue to focus on operating in a sustainable way and invest in projects to reduce the environmental impact of our property portfolio. We were pleased that our efforts were recognised by NABERS this year, who ranked our portfolio as one of the top 10 most sustainable property portfolios in Australia."

Property portfolio valuation
Growthpoint engaged external valuers to value 31 properties or approximately 65% of its property portfolio by value as at 30 June 2020. In line with the Group's valuation policy, the remaining valuations were undertaken as internal or Director's valuations.

Based on this analysis, the value of the portfolio as at 30 June 2020 was $4.2 billion, 5.0% higher than at 30 June 2019. The value of the portfolio did not change materially in the second half of the year, as a decrease in the value of some of our properties with near term lease expiries was offset by an increase in the value of a number of our long WALE properties, particularly the New South Wales Police Force's headquarters in Paramatta and Woolworths' distribution centre in Gepps Cross, where new leases commenced during the year.

Outlook
There still exists a great deal of uncertainty around the impact that the COVID-19 pandemic will have on Growthpoint's operating environment, including the effect and duration of government measures taken to stop the spread of the virus and assistance to support businesses and individuals. We expect the overall impact of the pandemic on the broader Australian economy will be significant. As a result, we have not provided FFO guidance for FY21.

However, we understand the value Securityholders place on receiving distributions from the Group and therefore have provided FY21 distribution guidance of 20.0 cps, which we expect to be paid in equal half-yearly instalments.

Mr Collyer said:

"While the outlook for FY21 is unclear, we are confident that we have put in place the right steps to ensure our business continues to meet the challenges presented by the COVID-19 pandemic.

Looking further ahead, undoubtedly, the COVID-19 pandemic is going to have far-reaching implications for our economy and society and the true impact of the virus will not be known for many years. However, Growthpoint is well positioned to deliver value to Securityholders over the long term. The fundamentals of our business remain robust, with a long WALE, high-quality tenants and manageable near-term lease expiries. We also have a strong balance sheet, appropriate liquidity and ongoing access to providers of future capital."

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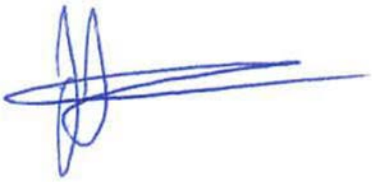
[3] In March 2020, Growthpoint withdrew all forward-looking statements, including FFO guidance of at least 25.4 cps.

Market briefing

Growthpoint will provide a market briefing at 9:30am (AEDT) today, 20 August 2020. A webcast of the briefing will be available at https://edge.media-server.com/mmc/p/9uryphf5.

This announcement was authorised for release by Growthpoint's Board of Directors.



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Growthpoint provides spaces for people to thrive. For more than 10 years, we've been investing in high-quality industrial and office properties across Australia. Today, we own and manage 58 properties, valued at approximately $4.2 billion.[4]

We actively manage our portfolio. We invest in our existing properties, ensuring they meet our tenants' needs now and into the future. We are also focused on growing our property portfolio.

We are committed to operating in a sustainable way and reducing our impact on the environment.

Growthpoint is a real estate investment trust (REIT), listed on the ASX, and is part of the S&P/ASX 200. Moody's has issued us with an investment-grade rating of Baa2 for senior secured debt.

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[4] Valuations as at 30 June 2020.